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Alan H. Katz
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August 24, 2006

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW, Room 711
Washington, DC 20423-0001

ENTERED
Office of Proceedings

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Re: Ex Parte No. 575, Review of Rail Access and
Competition Issues – Renewed Petition of the
Western Coal Traffic League

Dear Secretary Williams:

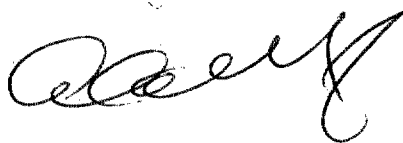
Entergy Services, Inc. and its affiliate, Entergy Arkansas, Inc. (collectively, “Entergy”), respectfully request leave to submit this response in order to correct two misleading statements contained in the August 15, 2006 letter of Union Pacific Railroad Company (“UP”) concerning its rates to Entergy’s Independence and White Bluff electric generating stations.

UP’s letter purports to refute the evidence submitted by Arkansas Electric Cooperative Corporation (“AECC”), a minority owner of the plants in question, which demonstrates what should be self-evident: that UP is able to charge significantly higher rates on its coal deliveries to the Independence station because that station is captive to UP. UP asserts that a comparison of the confidential contract rates it actually charges on deliveries to Independence versus White Bluff (which, unlike Independence, can also be served by BNSF Railway Company) “destroys AECC’s claim that UP receives increased rates at Independence as a result of its lease and interchange commitment with MNA.” While Entergy has not formulated an opinion as to whether AECC’s calculated rate differential is correct, Entergy agrees with AECC that there should be a substantial differential in rates between White Bluff and Independence stations due to the different competitive situations at each station. The current contract rates are not reflective of the rate that would exist at Independence were it not captive. Those rates are, however, evidence of UP’s ability to tie its services to White Bluff and Independence together, thereby extending its monopoly rates on our Independence coal traffic to its deliveries to White Bluff. In fact, during the

negotiations that led to our current contract with UP, Entergy first proposed separate rates for Independence and White Bluff that reflected the differing competitive conditions at the two plants, but UP refused to agree and instead insisted on charging "blended" rates to both plants, rates upon which it now relies to becloud the economic impact of Independence's captivity. (UP may assert that the availability of competitive service at White Bluff caused the blended rates to be lower than they otherwise would have been, but even if true that would be beside the point, which is that a straightforward comparison of the confidential contract rates proves nothing regarding the costs of our captivity at Independence.)

In its August 15, 2006 letter, UP also notes that "[t]he [Independence] plant is served by only one railroad because AECC and its co-owner Entergy chose to build the plant at a location served by only one railroad, UP's predecessor, Missouri Pacific Railroad. ... UP was the only carrier serving the plant before the interchange commitment, and it would be the only carrier serving the plant if the interchange commitment were removed." UP ignores, however, that when the Independence plant was sited and built, the Missouri Pacific ("MP") did not serve the Powder River Basin. Thus, when the Independence plant was sited and built, MP was a "neutral" destination carrier, able *and willing* to deliver PRB coal originated by any originating carrier (whether UP, BNSF, or another carrier that might later become able to deliver PRB coal to MP). Indeed, as the Board knows, coal deliveries to Independence were in fact originated by BNSF and interchanged to MP until new contracts were signed after the UP/MP merger. In any case, the issue before the Board in this proceeding is not whether paper barriers to interchange destroy pre-existing competition; rather, it is whether they unreasonably and unnecessarily restrain future competition by preventing spun-off, legally independent short lines from participating in competitive routings with other connecting carriers.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Alan H. Katz', with a stylized, flowing script.

Alan H. Katz